GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:930
ANSWERED ON:17.08.2007
VIOLATION OF GUIDELINES ON CREDIT CARDS BY BANKS
Gaikwad Shri Eknath Mahadeo;Mane Smt. Nivedita

Will the Minister of FINANCE be pleased to state:

(a) whether Monopolies and Restrictive Trade Practices (MRTP) Commission has in its a primary information report has alleged flouting of the November, 2005 RBI guidelines on credit cards by some commercial banks;

(b) if so, the details thereof;

(c) the name of banks which have violated the guidelines on credit card;

(d) the action taken by the Government in the matter; and

(e) the steps taken by the Government to avoid such irregularities in the future?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (c): Yes Sir. ICICI Bank, Citibank and HSBC have received a notice of enquiry from Monopolies and Restrictive Trade Practices Commission (MRTPC) for alleged violation of Reserve Bank of India (RBI) guidelines in their credit card business viz. soliciting and promoting credit card sales through Direct Sales Agents (DSAs) without disclosing that they are independent contractors, DSAs indulging in alleged unfair trade practices and promising more than what the bank can offer while providing credit card services to general public, soliciting applications for credit cards without making prospects aware of the Most Important Terms & Conditions (MITC) in their language, inviting applications for credit card services without making MITC a part and parcel of the application form, using smaller font size of alphabet in application forms, levying penal charges without ensuring that statement of accounts have been received in time, accepting cheques towards repayment without issuing acknowledgement etc.

(d) & (e): After the complicity of the bank is established, RBI takes appropriate regulatory action in the matter including advising the bank to improve its system and procedures, imposition of penalty on the bank, etc. to avoid recurrence of such instances.